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# Panama Canal: The Strategic Dimension



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*Following is a statement by Michael G. Kozak, Deputy Assistant Secretary for Inter-American Affairs, before the Subcommittee on Panama Canal and Outer Continental Shelf of the House Committee on Merchant Marine and Fisheries, Washington, D.C., November 2, 1989.*

I am pleased to appear before you today and welcome the opportunity to review the role of the Panama Canal from a regional and global strategic perspective.

My colleagues from the Department of Defense and the Panama Canal Commission have discussed the canal's importance from the perspectives of national defense and economic value. As the State Department's representative, I will approach the question of the canal's strategic role and value from a broad foreign policy perspective.

## The State Department's Perspective

Noting that the last major discussion of this topic occurred during the debates over the Panama Canal Treaties 10 years ago, the Chairman [Roy Dyson] has wisely provided an opportunity to review the canal's strategic role and value in light of the changes which have occurred over the past decade. From the Department of State's perspective, three basic considerations affect our view of the canal's strategic role and value.

**First**, the United States has a broad national interest in continued commercial and military use of the canal into the 21st century and a permanent responsibility for the canal's security and neutrality. We have successfully operated the canal for 75 years for our benefit and for that of international commerce. While the canal is no longer crucial to U.S. military strategy or to the U.S. economy as it was some decades ago, it still serves important U.S. military and economic interests. Thus, we want to see efficient canal service continued.

**Second**, although—as I have noted—the canal's importance for the U.S. economy is less than it once was, it continues to play a critical role in the economies of other countries in the Western Hemisphere and a vital role in global maritime trade. Uninterrupted access to a safe and efficient Panama Canal is an important element of economic and political stability for countries like Chile and Ecuador and contributes to the overall stability and prosperity of world trade. We want to see that stability protected.

**Third**, the steps we have taken over the past decade to adapt the methods for operating and defending the canal to the modern world have not taken place in a vacuum. Instead, they have occurred within the context of a worldwide demand for democracy and self-determination, including the Western Hemisphere. Throughout the hemi-

sphere we are witnessing increasing popular insistence on freedom from arbitrary or authoritarian rule, on protection for basic human rights and civil liberties, and on progress toward open political and economic systems. Nowhere has the desire for democracy and self-determination posed a greater challenge for U.S. policy than in Panama.

## The Primary Goal: Safety and Efficiency

A primary and historical goal of U.S. policy with respect to Panama is to ensure that the canal continues to operate without interruption, safely and efficiently, and that it remains accessible to the United States and to all other trading nations under conditions of neutrality. This is a goal and an interest that the United States and the Republic of Panama have in common, as the Panama Canal Treaties reflect. Indeed, one of the best guarantees we have of responsible Panamanian policy toward the canal is the fact that the safe, efficient, and neutral administration of the canal is manifestly crucial to the national interest of Panama. We must recognize, however, that Panama's ability to responsibly pursue its own interest—and hence the long-term future of the canal—cannot be assured in the context of political instability. In sum, protection of the interests of the United

States and of world commerce in a safe, efficient, and neutral Panama Canal requires two basic things. First, that responsibility for canal management, operation, and security be in accord with the will of the Panamanian people. Second, that the Panamanian system develop in such a manner that the will of the Panamanian people can be accurately expressed and implemented by the government of that country.

How have we met these responsibilities over the past decade? Where are we today, and what does the next decade hold?

### The New Treaty Relationship

The United States entered into a treaty relationship with the newly independent Republic of Panama in 1903 which gave the United States in perpetuity extraordinary sovereign-like powers in Panamanian territory to build and operate the Panama Canal. Soon thereafter, the United States found it necessary to face up to the first of the requirements I mentioned—that responsibility for the management, operation, and defense of the canal be conducted in accordance with the will of the Panamanian people. Practical adjustments in the way the United States exercised its rights were made under the so-called Taft agreement to address the sensitivities of the Panamanian people concerning sovereignty. Further adjustments were made by formal treaty modifications in 1936 and 1955. And in 1965, President Johnson agreed to a complete renegotiation of the treaty relationship, which culminated in the 1977 Panama Canal Treaties. These treaties—which were approved by plebiscite in Panama—largely met the longstanding demands of Panamanians across the political spectrum to eliminate the sovereign and perpetual character of U.S. rights in Panama. At the same time, they sought to protect U.S. interests by granting the United States—for the remainder of this century—the functional rights necessary to operate the canal and our military bases in Panama. In a broad sense, they were modeled on the modern base rights treaties and agreements the United States has with other nations throughout the world. U.S. interests after the year 2000 were to be protected by the Neutrality Treaty, which establishes the basic terms for operation of the canal on a neutral, nondiscriminatory basis and gives the United States the right and responsibility to take necessary action to protect the security of the canal and the regime of neutrality.

The treaties of 1977 have worked well in the sense of achieving their intended purpose of removing the Panama Canal as an object of political conflict in Panama and between Panama and the United States. Perhaps the greatest demonstration of this conclusion is the fact that throughout the recent political crisis in Panama, General Noriega has been singularly unsuccessful in his efforts to use the canal issue to rally nationalistic and hemispheric support. In essence, since the treaties the canal has become a “nonissue” in Panama and in Latin America.

Progress toward meeting the second requirement I mentioned—the development of a stable internal system reflecting the will of the Panamanian people—has been woefully inadequate during the past decade, however.

By 1979, the United States was on the verge of implementing a treaty which had taken almost 14 years to negotiate and prepare for implementation. At that time, both the executive branch and the Congress recognized that democracy was an essential element of political stability on the isthmus and had received commitments from General Torrijos to open up the Panamanian political system.

When the treaties entered into force on October 1, 1979, political exiles had been allowed to return and political parties and opposition media had become active. Our canal policy, our support for the treaties, and our support for democracy in Panama were thus proceeding in tandem as the new treaty relationship was inaugurated.

Implementation of the new treaty relationship proceeded without serious setback or disruption from the treaties' entry into force in October 1979 until General Noriega's seizure of the government in February 1988. During the initial transition period, a historic transfer of authority took place on schedule and without incident as Panama assumed the governmental functions formerly exercised by the Canal Zone Government. The joint bodies established by the treaty began to resolve problems and plan for canal defense. The Panama Canal Commission did an exceptional job of increasing Panamanian participation throughout the canal work force while maintaining the canal's efficiency and commercial competitiveness. The United States and Panama continued to conclude a number of important treaty-related agreements, such as that which established (with Japan) a commission to conduct a feasibility study of alternatives or possible modifications to the existing canal system. Certainly, there were problems and areas of difficulty,

but on balance the implementation process was on track and was serving the interests of both the United States and Panama.

On the political scene, the death of General Torrijos in 1981 left a vacuum. The Torrijos dominance of the political scene since 1968 was due as much to his populist political skills as to his command of the military. No other officer had this combination of skills, and the subsequent maneuvering among senior military commanders for control of the Panama Defense Forces (PDF) further weakened the political role of the military. Although the military continued to dominate the government, their control was increasingly based on a heavy-handed manipulation rather than any semblance of genuine political popularity. Through newly legalized political parties and a lively media presence, the opposition offered a civilian alternative to military rule and increasingly attacked the government for corruption and abuses of privilege and power. A number of events during the early and mid-1980s—a 1984 presidential election clouded by charges of fraud, the 1985 murder of opposition activist Hugo Spadafora, the forced resignations of three presidents, rumors of drug trafficking, and charges of assassination, corruption, and vote fraud made against Noriega by the former PDF Deputy Commander in 1987—showed that democracy would face severe tests. Nevertheless, opponents of military rule continued to gain strength, broadened their demands, and refused to give way before an upward spiral of intimidation and repression. Certainly, there was evidence that a political transition to civilian, democratic government would be neither quick nor painless, but there was no doubt that such a political transition had begun.

### The Force of Democracy at Work

I would note that throughout the period of the 1980s another force was at work—not just in Panama but throughout the region. That is the force of democracy.

When I joined the U.S. Government 18 years ago, you could count on one hand the number of democracies in Latin America. Now you can count the dictatorships with perhaps a finger or two to spare. This transformation did not just happen. First and foremost, it is the product of a change in the intellectual climate in Latin America and the courage of the peoples of the region. People have come to realize that the man on the white horse offering easy



solutions to all their problems in return for absolute power is no solution at all. Dictatorships of both the right and the left have demonstrably failed to meet the needs of their people. And the people of Latin America—both in and out of uniform—have demonstrated the courage and the resolve necessary to a successful struggle to institutionalize democracy in their nations.

But while the Latin peoples deserve the credit for the historical transition to democracy that has occurred over the past decade, the United States has not been a silent bystander. Successive U.S. Administrations and the Congress have given active encouragement and support to the forces struggling for democracy in the region.

This approach not only reflects basic U.S. values but fundamental U.S. interests. Gone are the days when responsible U.S. officials might argue that a dictatorship—even a dictatorship closely aligned to U.S. policy in certain areas—could provide the long-term stability vital to securing U.S. interests in the region. Instead, I believe, a consensus has developed across the U.S. political spectrum that the only means to achieve long-term stability is through the development of democratic processes and institutions. Where democracy is established, transfers of power occur periodically through peaceful, orderly processes and not through coups or social convulsions. And while civil liberties and free elections do not always guarantee that the government in power will follow responsible economic, social, or foreign policies, they do guarantee that a government that fails to do so will be brought up short by its own constituents. In sum, in my judgment, the fundamental interests of the other nations of this hemisphere and our own interests are sufficiently congruent and sufficiently evident to the people of our respective nations that our interests will be well served if we are dealing with governments that genuinely reflect the will of their people. Nowhere is this more evident than in Panama.

### **Panama's Political Crisis**

Clearly, the political crisis in Panama which began in the summer of 1987 has severely strained our ability to work with Panama on matters of mutual interest, including the canal relationship. But neither the United States nor the treaties themselves have become the issue. Despite a constant stream of disinformation and unsubstantiated charges about U.S. "treaty violations," the regime has been careful not to attack or

disown the treaties. Despite efforts to paint the internal crisis as a product of a "liberation" struggle against "U.S. imperialism," the Panamanian people look to the United States as their friend and ally in their struggle for democracy. Polls taken at the time of the May 7 election are revealing. Over 80% of Panamanians blamed Noriega and his cronies for the crisis in the country. Less than 5% blamed the United States—and this after a year in which General Noriega totally controlled the media.

Despite regime efforts to change U.S. nonrecognition policy by harassing U.S. and Panamanian employees of the U.S. forces and the Panama Canal Commission, Noriega has seemingly sought to avoid a direct threat to the canal or a direct challenge to the proper exercise of U.S. rights. Nevertheless, it becomes clearer each day that Noriega's continuation in power is a threat not only to the interests and freedom of his own people, but also to the canal. The longer the crisis persists the more difficult it will be for the canal to avoid a variety of additional costs. And as this subcommittee well knows, it will be the canal's users who ultimately must face the burden of bearing these costs.

The challenge to U.S. policy in Panama has been and remains Noriega's refusal to allow the democratic process to go forward. Our response to developments there has been measured and appropriate. As the President announced last May, the United States will continue to support multilateral diplomatic efforts designed to bring about a democratic transition in Panama. The United States will continue to assert and defend with U.S. military forces our rights under the Canal Treaties, and will take the necessary steps to protect U.S. lives. We will neither recognize nor accommodate with any regime dominated by General Noriega.

In sum, the President's policy of support for a return of democracy requires that Noriega must leave power as a necessary first step in a resolution of Panama's internal crisis. We will continue to support and work closely with the democratic opposition and continue to seek every possible means of bringing political, economic, and diplomatic pressure to bear on Noriega and his dwindling group of loyalists.

We have been resolute, and we must continue to be so. The Panama Canal Commission and its work force as well as the other U.S. Government personnel in Panama—both U.S. and Panamanian citizens—have made extraordinary sacrifices to keep the canal and other U.S. activities operating safely and efficiently under trying circumstances.

They have and deserve our admiration and appreciation for their contribution to securing the long-term future of democracy in Panama and of the canal. These two elements are indissolubly linked, because in a world of rising democratic expectations, a political system other than a functioning democracy cannot provide the political stability and the economic strength which is indispensable for the canal's continuing safe and efficient operation.

Make no mistake. The interest of the United States is not in installing a particular individual or party in power in Panama. To do so would only sow the seeds of a new crisis in the future. Our interest lies in the institutionalization of a democratic process that will ensure that successive Panamanian governments truly reflect the will of the Panamanian people. In essence, we want representative governments that we can work with, not narrowly based governments that the Panamanian people will be compelled to work against. The nature of the U.S. interest in the canal has been changing for a long time. Nevertheless, we believe in the canal's continuing importance for the United States, for Panama, and for world commerce. In this context, it is essential that Panama set its house in order.

A decade ago the Panamanian people achieved their long-sought goal of perfecting their sovereign right to order governmental affairs in their own territory free of foreign constraints. Now they are engaged in a much more fundamental struggle, a struggle to perfect their sovereign right to choose their own government through democratic processes.

They have had the understanding and support of the United States both in their struggle for sovereignty and their struggle for democracy. We are confident that they will triumph.

And we are confident that when they succeed in establishing an authentic democracy, the manifest interests of the Panamanian people will lead their government to work responsibly with the United States and other user nations to protect our common interests in the safe, efficient operation of the canal into the next century. ■

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